

Message Text

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CEA-01 PA-02 PRS-01 AGRE-00 OES-06 /135 W
-----282110Z 093619 /71

R 281905Z JAN 77 ZFF 4
FM AMEMBASSY LONDON
TO TREASURY DEPT WASHDC
SECSTATE WASHDC 0042
INFO AMEMBASSY BONN
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AMEMBASSY DUBLIN
AMEMBASSY NEW DELHI
AMEMBASSY PARIS
AMEMBASSY ROME
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DEPARTMENT PASS FEDERAL RESERVE BOARD

TREASURY FOR DONALD E. SYVRUD, OASIA

E.O. L1652: N/A
TAGS: ECIN. UK
SUBJECT: U.K. PUBLIC EXPENDITURE PLANS

1. THE WHITE PAPER ON GOVERNMENT EXPENDITURE WAS PUBLISHED TODAY. ALBEIT IN A MODIFIED FORMAT. THE TITLE IS UNCLASSIFIED

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NOW "THE GOVERNMENT'S EXPENDITURE PLANS,, CONTRASTED WITH LAST FEBRUARY'S "PUBLIC EXPENDITURE TO 1979-80." THE EXPENDITURE PLANS, OUTLINED ONLY THROUGH FY78-79, DO NOT PRESENT THE FINAL TWO YEARS OF THE PLANNING PERIOD AS THEY HAVE NOT YET BEEN REVISED TO ACCORD WITH THE DECEMBER 15 MINI-BUDGET. THE WHITE PAPER WILL BE PRESENTED THIS YEAR IN TWO PARTS, THE FIRST PUBLISHED TODAY GIVING A GEN-

ERAL ACCOUNT OF THE PLANS, AND A SECOND TO BE PUBLISHED
LATER GIVING INDIVIDUAL PROGRAM DETAIL AND SUPPORTING
MATERIAL.

2. TWO ACCOUNTING CHANGES HAVE BEEN INTRODUCED. THE
FIRST REPLACES THE TOTAL CAPITAL EXPENDITURE OF NATIONAL-
IZED INDUSTRIES WITH THE GOVERNMENT FUNDS PROVIDED TO
THESE, WHETHER BY LOANS, PUBLIC DIVIDEND CAPITAL. OR
GRANTS. IN PARTICULAR, ITEM 5 OF "PUBLIC EXPENDITURE BY
PROGRAM" WHICH HAD GIVEN THESE CAPITAL EXPENDITURES, WILL
BE REPLACED BY AN ENTRY "GOVERNMENT LENDING TO THE NATION-
ALIZED INDUSTRIES." THIS CHANGE WAS MADE ON THE GROUNDS
THAT THE OLD FIGURES DID NOT ACCOUNT FOR FINANCING OF IN-
VESTMENT THROUGH SELF-GENERATED FUNDS OF THE NATIONALIZED
INDUSTRIES. WHILE THE NEW FIGURES BETTER REPRESENT THEIR
PUBLIC FINANCING REQUIREMENTS. THE SECOND
CHANGE ALTERS THE ACCOUNTING OF DEBT INTEREST. HERETO.
FORE THIS WAS SIMPLY RECORDED AS THE INTEREST PAID ON
OBLIGATIONS OF THE PUBLIC SECTOR. IT HAS BEEN ALTERED BY
DEDUCTING SOME NOT ALTOGETHER CLEARLY SPECIFIED REVENUES.
THIS DEDUCTION IS MADE ON THE GROUNDS THAT THE GREATER
PART OF INTEREST PAYMENTS "IS MET THROUGH THE PRICES,
RENTS OR CHARGES THE COMMUNITY PAYS FOR GOODS AND SERVICES
PROVIDED BY THE PUBLIC SECTOR AND SOME ARE MET BY INTER-
EST RECEIPTS." AND SO IT "DOES NOT HAVE TO BE FINANCED
FROM TAXES OR FURTHER BORROWING."

3. EXPENDITURE PLANS ARE STATED IN CONSTANT PRICES BUT THE
DOCUMENT STRESSES THAT CASH LIMITS, WHICH ARE DESIGNED TO
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CONTROL EXCESSIVE INFLATIONARY EXPANSION OF THE PROGRAM
AND WHICH COVERED SOME 65 PERCENT OF CENTRAL GOVERNMENT
EXPENDITURES IN 1976/77, WILL BE STRICTLY ENFORCED. CASH
LIMITS WILL APPLY TO A SIMILAR RANGE OF EXPENDITURE IN
1977/78 AS THEY DID IN 1976/77 AND WILL BE PUBLISHED
AROUND THE BEGINNING OF THE FINANCIAL YEAR

4. LOCAL AUTHORITIES ARE GIVEN SPECIAL ATTENTION. IT IS
NOTED THAT THEY ACCOUNT FOR OVER 50 PERCENT OF PUBLIC EX-
PENDITURE ON THE MAIN ENVIRONMENTAL AND SOCIAL SERVICE
PROGRAMS, PRIMARILY THROUGH THE WAGE AND SALARY COST OF
THEIR GREATER THAN 2 MILLION MAN STAFF. THE WHITE PAPER
EMPHASIZES THAT THE EXPANSION OF LOCAL AUTHORITY EXPENDI-
TURE WHICH HAS MARKED THE POST-WAR PERIOD HAS LEVELED OFF
AND MUST MOREOVER BE REDUCED IT SUMMARIZES THE CURRENT
STATE OF THESE EXPENDITURES AS :

PUBLIC EXPENDITURE BY LOCAL AUTHORITIES (GREAT BRITAIN)
(POUNDS MILLIONS AT 1976 SURVEY PRICES)

1974-75 1975-76 1976-77 1977-78 1978-79

CURRENT	10.284	10.736	11,015	11.031	10.959
CAPITAL	5.076	4,520	3,792	2.873	2.702
TOTAL	15,360	15,256	14,807	13,904	13.661

AS PRECENTAGE
OF ALL PUBLIC
EXPENDITURE
PROGRAMMES 30.2 29.4 28.5 28.1 27.4

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THE WHITE PAPER NOTES THAT THE CASH LIMITS WILL BE RIGOR-
OUSLY ENFORCED TO CONTROL CURRENT EXPENDITURE AND THAT THE
GOVERNMENT WILL USE ITS POWER TO APPROVE LOCAL AUTHORITY
BORROWING TO HOLD CAPITAL EXPENDITURE TO PLANNED LEVELS.

5. THE NEED FOR A RESTRICTIVE EXPENDITURE POLICY AND FOR RESTRAINT IN THE PROVISION OF PUBLIC SERVICES IS PRESENT-ED IN FAMILIAR TERMS. DECLINING PRODUCTIVITY OVER A LONG UNCLASSIFIED

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PERIOD. AND AN UNEXPECTEDLY SLOW RECOVERY IN WORLD TRADE DURING RECENT MONTHS HAVE CREATED A COMBINATION OF DIFFICULTIES IN THE FORM OF HIGH UNEMPLOYMENT. DECLINING LIVING STANDARDS AND A LARGE BALANCE OF PAYMENTS DEFICIT. ECONOMIC POLICY MUST BE AIMED AT SECURING AN IMPROVED INDUSTRIAL PERFORMANCE GENERALLY, AND A RAPID INCREASE IN EXPORTS IN PARTICULAR. NORTH SEA OIL WILL INSURE BALANCE OF PAYMENTS SURPLUS, IF RESOURCES ARE MANAGED PRUDENTLY, AND THIS WILL OFFER THE OPPORTUNITY TO STRENGTHEN THE UK'S INDUSTRIAL BASE ALTHOUGH IT CANNOT INSURE SUCH IMPROVEMENT. WITH THIS PRIORITY ENUNCIATED THE WHITE PAPER CONCLUDES THAT "A MODERN CIVILIZED SOCIETY NEEDS AN ADEQUATE LEVEL OF PUBLIC SERVICES, HOWEVER AT THIS JUNCTURE FURTHER SOCIAL IMPROVEMENTS MUST DEPEND ON THE PRIOR ACHIEVEMENT OF OUR ECONOMIC AND INDUSTRIAL OBJECTIVES "

6. EXPENDITURE PLANS ARE BROKEN DOWN BROADLY IN THE FOLLOWING TABLES:

PUBLIC EXPENDITURE BY PROGRAMME
(POUNDS MILLIONS AT 1976 SURVEY PRICES)

	1976-77	1977-78	1978-79
1. DEFENCE	5,621	5,444	5,397
2. OVERSEAS AID AND OTHER			
OVERSEAS SERVICES	1,062	1,252	1,380
3. AGRICULTURE, FISHERIES,			
FOOD AND FORESTRY	1,003	551	516
4. TRADE, INDUSTRY AND EMPLOYMENT:			
INVESTMENT GRANTS	29	9	3
OTHER	3,045	2,143	2,466
5. GOVERNMENT LENDING TO			
NATIONALISED INDUSTRIES	800	750	900
6. ROADS AND TRANSPORT	2,716	2,368	2,204
7. HOUSING	4,680	4,286	4,275
8. OTHER ENVIRONMENTAL			
SERVICES	2,560	2,295	2,199

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9. LAW, ORDER AND PROTECTIVE SERVICES 1,848 1,836 1,806

10. EDUCATION & LIBRARIES,

SCIENCE AND ARTS	7,519	7,307	7,181
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11. HEALTH & PERSONAL

SOCIAL SERVICES	6,533	6,524	6,587
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12. SOCIAL SECURITY	11,168	11,659	11,910
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13. OTHER PUBLIC SERVICES	838	807	805
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14. COMMON SERVICES	849	783	798
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15. NORTHERN IRELAND	1,627	1,538	1,503
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TOTAL PROGRAMMES	51,898	49,552	49,930
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CONTINGENCY RESERVE	-	650	900
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TOTAL	51,898	50,202	50,830
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DEBT INTEREST

NEW BASIS	1,800	2,300	2,300
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NATIONAL INCOME

ACCOUNT BASIS	6,500	7,300	7,400
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PUBLIC EXPENDITURE BY ECONOMIC CATEGORY

(POUNDS MILLIONS AT 1976 SURVEY PRICES)

1976-77	1977-78	1978-79
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CURRENT EXPENDITURE

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WAGES AND SALARIES	15,946	15,910	15,891
OTHER CURRENT EXPENDI- TURE ON GOODS & SERVICES	8,670	8,346	8,315
SUBSIDIES	3,588	2,871	2,642
CURRENT GRANTS TO PERSONS	12,240	12,910	13,186
CURRENT GRANTS PRIVATE BODIES	1,016	983	906

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CURRENT GRANTS ABROAD	733	939	1,071
TOTAL EXCLUDING DEBT INTEREST	42 193	41,959	42,011
CAPITAL EXPENDITURE GROSS DOMESTIC FIXED CAPITAL FORMATION	6,140	5,060	4,706
INCREASE IN VALUE OF STOCKS	22	52	47
CAPITAL GRANTS	1,368	1,185	1,214
NET LENDING TO THE PRIVATE SECTOR	555	432	474
NET LENDING TO NATIONAL- ISED INDUSTRIES	800	750	900
NET LENDING TO OVERSEAS GOVERNMENTS	94	79	63
DRAWINGS FROM UNITED KINGDOM SUBSCRIPTIONS AND INTERNATIONAL LEND- ING BODIES	99	111	130
OTHER NET LENDING AND INVESTMENT ABROAD	599	399	362
CASH EXPENDITURE ON COMPANY SECURITIES (NET)	23	-480	18
CAPITAL TRANSFERS ABROAD	5	5	5
TOTAL	9,705	7,593	7,919
CONTINGENCY RESERVE	-	650	900
TOTAL	51 898	50,202	50,830

7. COMMENTS WILL FOLLOW SEPARATELY.

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Message Attributes

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Disposition Approved on Date:
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Disposition Comment:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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From: LONDON
Handling Restrictions: n/a
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Original Handling Restrictions: n/a
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Reference: n/a
Retention: 0
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3678198
Secure: OPEN
Status: NATIVE
Subject: U.K. PUBLIC EXPENDITURE PLANS
TAGS: ECIN, UK
To: TRSY STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/00f2e4dd-c288-dd11-92da-001cc4696bcc
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